

Economic and Management Sciences Grade 6

By:
Siyavula Uploaders

Economic and Management Sciences Grade 6

By:

Siyavula Uploaders

Online:

< <http://cnx.org/content/col11013/1.1/> >

C O N N E X I O N S

Rice University, Houston, Texas

This selection and arrangement of content as a collection is copyrighted by Siyavula Uploaders. It is licensed under the Creative Commons Attribution 3.0 license (<http://creativecommons.org/licenses/by/3.0/>).

Collection structure revised: September 8, 2009

PDF generated: February 6, 2011

For copyright and attribution information for the modules contained in this collection, see p. 46.

Table of Contents

1 Term 1	
1.1 Links in the economic chain	1
1.2 Work/Income	4
1.3 The law of the country and the economy	7
2 Term 2	
2.1 The production line	11
2.2 The factors of production	14
2.3 Primary, secondary and tertiary industries	18
3 Term 3	
3.1 What is a business plan?	23
3.2 The business concept	24
3.3 How will the business be run?	28
3.4 Financial aspects of the business	31
4 Term 4	
4.1 Start your own business	35
4.2 Market research, production and profitability	39
4.3 Marketing your product	43
Attributions	46

Chapter 1

Term 1

1.1 Links in the economic chain¹

1.1.1 ECONOMIC AND MANAGEMENT SCIENCES

1.1.2 Grade 6

1.1.3 THE ECONOMIC CYCLE

1.1.4 Module 1

1.1.5 LINKS IN THE CHAIN

From birth to death, every person forms part of a country's economic cycle. At birth everybody starts as a dependant and becomes dependent again when they grow old, but for the biggest part of our lives we are prepared to be able to make a contribution to the growth and stability of the country's economy. You will now be taken through the cycle step by step and it is hoped that you will understand very clearly what your specific role in South Africa's economy is and will be.

1.1.5.1 At home

This is the phase in which you have been since birth. It is definitely the best and most carefree phase of all, but also the phase that everybody wants to pass the quickest. We cannot wait to earn our first salaries and spend the money!

During this phase you are a **LEARNER**. From the moment you make your first sound, everybody wants to teach you the whole time. When you are not reacting to deliberate instructions, you are unconsciously following others' example. As you become older, you develop a strong will of your own and often make mistakes in an effort to prove that your own way of doing things is **BETTER** than the prescribed and tested way.

During this phase of your life you are mainly a consumer and do not really make a positive contribution to the country's economy. However, there are some entrepreneurs who manage to generate funds quite successfully at an early age.

1.1.5.2 The student

This is the phase that usually starts just after your formal school education. This is when you are prepared for the world of work or labour market. You are prepared to start your career. Sometimes you study full time, but often you are trained while you are in the practical situation – when you are already busy with

¹This content is available online at <<http://cnx.org/content/m22579/1.1/>>.

the work that you want to do. You mainly remain a *consumer* and mostly contribute to the economic cycle only through *part-time income*.

Many people know from a very young age exactly what career they want to follow one day. Others only discover their true talents after they have been exposed to the practical situation. The training processes for careers also differ drastically. For some careers you have to follow a theoretical course for a number of years, while others are a combination of practical training and theoretical work.

Then there are persons who, with the exceptional talents they have received, decide to start their own businesses in a specific field. Mrs X, for example, is very good at sewing and she makes the most beautiful clothes for children, which she sells at flea markets, while Mr Y learnt from his father how a car engine works, and has become a very successful mechanic.

1.1.5.3 The labour market

This is the phase to which most young people look forward a lot. Now you can do what you want with the money you earn. Now you do not have to depend on your parents any longer. Your own car, your first flat, carefree times...

The responsibility of a budget that has to balance, however, jerks most people back to reality. It is hard work and your salary does not go nearly as far as you thought it would. Together with this you have the responsibility of a career. If you want to progress in your career, you have to work long hours.

1.1.5.4 Assignment

Visit your nearest library and find sources on career definitions. Make a list of possible careers in which you might be interested. Compile a list in order of priority.

When you enter the labour market, you are a fully-fledged member of the economic cycle and your employer (if you are working for someone else) or your own business (if you are self-employed) will exert pressure to bear on you to achieve results.

Not only do you receive a bigger portion of the economy in the form of a salary/income, but you also plough back a bigger portion into the economy in exchange for products and services that you acquire. In this way you form an important link in the economic cycle of your country – and indirectly of the world economy. Yes, just like our country has an internal economic cycle, it also forms part of the bigger world economy.

Position in the labour market

The labour market can be viewed as a ladder on which you climb higher with every promotion until you have reached the highest rung.

Director/Owner
Senior manager
Divisional manager
Post level 1 employee

Table 1.1

Some employees prefer not to function in a management capacity and are then promoted and remunerated only within their own job levels.

If you own your own business, you are in your own employ. You are then the *employer* and might have people working for you – *employees*.

Talk to your parents and relatives who are already in the labour market and find out at what job levels they were appointed. Determine whether their salaries are linked to the posts they occupy and establish how many are self-employed. Report to the class.

[LO 1.1]

1.1.5.5 The Investor

Most active members of the labour market at some stage or another make an investment or investments. In this way they not only try to increase their money, but also contribute to the economic cycle.

Examples:

- Buy a plot of land and sell it a year later at a higher price;
- Buy shares in a dynamic growing company at a relatively low price per share and sell it later at a higher price.
- Take out an endowment policy at a certain monthly premium.

Talk to your parents and make a list of more ways in which to invest money.

1.1.5.6 Retirement

On retirement you usually leave the labour market. If you made provision, you should now receive a monthly pension that should be enough for you to maintain your standard of living. People who have retired, still play a dynamic role in the development of the country's economy. However, this role is generally more passive, as most people who have retired, prefer to have a peaceful life in this phase. They now become mainly *consumers* who no longer play a strong investment role in the economic cycle.

1.1.6 Assessment

Learning Outcomes(LOs)
LO 1
THE ECONOMIC CYCLEThe learner is able to demonstrate knowledge and understanding of the economic cycle within the context of the economic problem.
Assessment Standards(ASs)
We know this when the learner:
1.1 describes the roles of households, businesses and government in the economic cycle;
1.4 explains different types of taxes and how they influence consumers and businesses.
LO 2
SUSTAINABLE GROWTH AND DEVELOPMENTThe learner will be able to demonstrate an understanding of sustainable growth, reconstruction and development, and to reflect on related processes.
We know this when the learner:
2.3 identifies steps that can be taken by the government to redress historic imbalances and poverty (e.g. redistribution of resources, gender equity, capacity building, restoring people's dignity, creating opportunity and empowerment).

Table 1.2

1.2 Work/Income²

1.2.1 ECONOMIC AND MANAGEMENT SCIENCES

1.2.2 Grade 6

1.2.3 THE ECONOMIC CYCLE

1.2.4 Module 2

1.2.5 WORK / INCOME

A family is a group of people of which you are a member. All families do not have the same composition. Some consist of a father and mother with children, while others have only a father or a mother with children. However, the composition does not matter, as everybody works together to meet the others' needs. Your parents usually generate the income to pay for all the services and products required by the family.

Inside the family is also an *economic system*. While Dad, and sometimes Mom too, are the main providers of the family's income, children often receive an amount of pocket money from their parents that they have to manage in a judicious and responsible manner. The pocket money is sometimes supplemented with other amounts that are received on birthdays. This often encourages children to open a savings account at the bank. In this way many children become part of the economic cycle at an early age.

The members of a family try to maintain the highest possible standard of living. They work in order to generate an income that will meet their basic needs. The more a household earns, the higher their standard of living will be.

People work in exchange for money. This is known as an income. The money is then used to obtain the goods and services required to survive. The more money you earn, the bigger your contribution to the economic cycle of the country will be, and the better everybody's quality of life will be.

Unemployment

However, everybody does not have a job, and such people are called *unemployed*.



Figure 1.1

1.2.5.1 Assignment

Discuss in your groups the issues with regard to unemployment and make a poster to present your views.

- Do you know anyone who is unemployed?
- How is that person's standard of living and state of mind affected by the fact that he/she is unemployed?
- Does he/she want to work?
- Is unemployment a problem in our country?
- What do you think are the main causes of unemployment in SA?
- What does the government (locally and nationally) do about the problem?

²This content is available online at <<http://cnx.org/content/m22557/1.1/>>.

- What other suggestions can you make to resolve this problem?

[LO 2.3]

How do you decide what career to pursue? Sometimes a boy or a girl follows in their parents' footsteps. At other times children select careers that differ from those that their parents had in mind for them. One of the most important requirements when choosing a career is that you must enjoy what you are doing – particularly if you are the breadwinner, because then you have to continue your career for a big part of your life while your family depends on you.

Every person has specific interests and preferences and you must try to reconcile these interests with your choice of a career. That is a winning recipe for job satisfaction!

CASE STUDY: Meet Jonathan de Wee



continued on next page

Klaas de Wee	Jonathan de Wee
<p>Meet Jonathan de Wee. He is 24 years old and grew up near Cape Town. He passed Grade 10 at the Excelsior High School in Belhar. Jonathan grew up in a family where his father and cousin were builders, and from an early age he spent weekends and holidays on the building sites. His father, Klaas de Wee, is a well-known builder, and his cousin, Gert Whites, learnt from Klaas how to build. Jonathan loves the outdoors and decided early on in his life that an academic career did not interest him a lot. His father tried to teach him as many building skills as possible and tried to provide him with as much knowledge of the building industry as possible, and at the end of Grade 10 Jonathan decided to exchange his schoolbooks for cement, bricks and a trowel. He is doing very well in his job and is already attempting large projects on his own. His father is close to retirement and Jonathan will soon take over the business from him.</p>	

Table 1.3

1.2.6 Assessment

Learning Outcomes(LOs)
LO 1
THE ECONOMIC CYCLEThe learner is able to demonstrate knowledge and understanding of the economic cycle within the context of the economic problem.
Assessment Standards(ASs)
We know this when the learner:
1.1 describes the roles of households, businesses and government in the economic cycle;
1.4 explains different types of taxes and how they influence consumers and businesses.
LO 2
SUSTAINABLE GROWTH AND DEVELOPMENTThe learner will be able to demonstrate an understanding of sustainable growth, reconstruction and development, and to reflect on related processes.
We know this when the learner:
2.3 identifies steps that can be taken by the government to redress historic imbalances and poverty (e.g. redistribution of resources, gender equity, capacity building, restoring people's dignity, creating opportunity and empowerment).

Table 1.4

1.3 The law of the country and the economy³

1.3.1 ECONOMIC AND MANAGEMENT SCIENCES

1.3.2 Grade 6

1.3.3 THE ECONOMIC CYCLE

1.3.4 Module 3

1.3.5 THE LAW OF OUR COUNTRY AND THE ECONOMY

The country's set of rules (laws) that has been compiled to define and protect the rights and duties of every citizen also includes a *budget* that sets out how the government generates money, and how this money will be spent.

Tax is one of a government's main sources of income. There are **two main categories** of tax that our government recovers from its citizens.

1.3.5.1 Indirect tax

Here are some examples:

VAT - Value added tax is levied on almost all goods and services. For example, when you buy new clothes, you pay 14% more than the original price. This 14% goes to the government. It is usually included in the price, so that the buyer does not have to make the calculation himself.

Tax on fuel – a portion of the money you pay for fuel per litre, is given to the government.



Figure 1.2

1.3.5.2 Direct tax

People in the labour market who earn an income (in 2005 it amounts to R30 000 per year for persons under 65 and R59 990 per year for persons over 65) are liable to pay income tax according to the pay-as-you-earn system. The percentage depends on the income you earn and is calculated according to tax scales, and is deducted from your salary every month. Once a year everybody earning a certain income and higher, must complete a set of forms in which they have to declare all forms of income.

1.3.5.3 Assignment

Calculate the VAT on the following items:

[U+FOA9] a bicycle of R860

[U+FOA9] a pencil of R4,95

[U+FOA9] a loaf of white bread of R5,25

Find out whether tax is paid on the following items and explain why:

³This content is available online at <<http://cnx.org/content/m22563/1.1/>>.

- brown bread;
- bananas;
- full cream milk.

[LO 1.4]

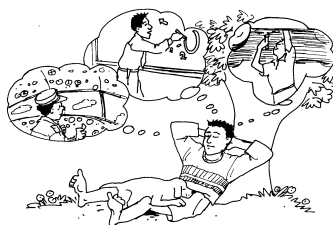


Figure 1.3

! We trust that you now know a little more about your specific role in the economic cycle and how the government is involved in the entire economic process. With this in mind, try to imagine yourself in 10 years' time and write a brief paragraph on your possible choice of career and working conditions as you see yourself ten years from now.

1.3.6 Assessment

Learning Outcomes(LOs)
LO 1
THE ECONOMIC CYCLEThe learner is able to demonstrate knowledge and understanding of the economic cycle within the context of the economic problem.
Assessment Standards(ASs)
We know this when the learner:
1.1 describes the roles of households, businesses and government in the economic cycle;
1.4 explains different types of taxes and how they influence consumers and businesses.
LO 2
SUSTAINABLE GROWTH AND DEVELOPMENTThe learner will be able to demonstrate an understanding of sustainable growth, reconstruction and development, and to reflect on related processes.
We know this when the learner:
<i>continued on next page</i>

2.3 identifies steps that can be taken by the government to redress historic imbalances and poverty (e.g. redistribution of resources, gender equity, capacity building, restoring people's dignity, creating opportunity and empowerment).

Table 1.5

Chapter 2

Term 2

2.1 The production line¹

2.1.1 ECONOMIC AND MANAGEMENT SCIENCES

2.1.2 Grade 6

2.1.3 FROM TREE TO TIN CAN

2.1.4 Module 4

2.1.5 THE PRODUCTION LINE

It is the end of the month. Mum's big shopping expedition is at hand. She has to draw up a shopping list of all the groceries she has to purchase.

2.1.6 Assignment 1

- a) Have a brainstorming session with your mother and list at least 20 different items that need to be bought regularly for your household.
- b) Which of the above items are purchased daily?

- a) Which of the above items are purchased weekly?

- a) Which of the above items are purchased monthly?

Why are some products purchased daily or weekly, while others are purchased monthly? (Write down as many explanations as possible.

[LO 1.1]

- a) If you think about the production processes that each of the items on the shopping list undergoes, you will get some idea of how different they are.

2.1.7 Assignment 2

Sort out your shopping list to place the items under the following headings as indicated in the supermarkets:

¹This content is available online at <<http://cnx.org/content/m22574/1.1/>>.

Tinned products	Frozen	Grain	Dairy	Fresh fruit & vegetables	Cleaning agents	Toiletries	Other

Table 2.1

[LO 1.1]

All products are of animal, plant or mineral origin. They are derived from NATURAL RESOURCES, i.e. they come from raw materials provided by nature.

2.1.7.1 Vegetable foods

If we look at products such as fruit and vegetables, we know that they are not only obtainable in a fresh state at a supermarket or a café. Fresh fruit or vegetables provide better nutrients, but people nowadays do not always have the time to process fresh products immediately. Fortunately we can also buy the products in a processed state. It is true that this is more expensive and that some of the nutritive value is lost, but it can be preserved for a longer time in the processed form and Mum has to spend less time going to the shop to get fresh fruit and vegetables. She is also able to prepare food faster.

2.1.8 Assignment 3

Make a list of as many forms of processed fruit and vegetables as possible:

[LO 2.1]

From where do you get your food?

2.1.9 Assignment 4

- Go to the food cupboard at home. Look at the labels of the canned (preserved) vegetables and fruit. Get your mother's permission to remove one of the labels and paste them to a loose sheet of A4 paper or two (and attach).
- Now answer the following questions:
 - What is in the tin?
 - Who is the producer of the contents?
 - How are the contents graded?
 - What are the ingredients that make up the contents?

• How can the unused contents be preserved once the tin has been opened?

- What is the mass of the contents
 - with the liquid?
 - without the liquid?

- Was the product produced locally or overseas? Motivate your

answer:

- What is the energy value of the product per 100 g?
- Information such as "Best before April 2007" should also appear on the tin.

What does this mean?

[LO 2.1]

2.1.10 Assignment 5

- Take another look at the labels on tins containing vegetable foods (foods from plants). Write down the names of 10 different kinds of food and indicate their origin.

[LO 2.1]

2.1.11 Assignment 6

- Study a map of South Africa and indicate at least five different places at which foods are produced. Refer to an atlas to find the towns / cities. Indicate the location with a red circle and print the name alongside it. Design your own key, e.g. apples to indicate the kind of food that is processed at the relevant town / city.

- Why is the particular vegetable or fruit canning factory at the particular town or city?

2.1.12 Memorandum

Assignment 1

- Learners can complete the assignment at home. For interest's sake the teacher can get feedback in class and in this way he can determine which products appear on the learners' lists. Through the feedback it will also be possible to determine whether all the learners' answers in b, c, d and e are basically the same.

Assignment 2

- After each learner has sorted his/her items, the teacher can discuss the purpose of sorting items in supermarkets.

Assignment 3

- After a general class discussion the questionnaire can be completed.

Assignment 4

- This assignment can be done as a homework assignment.

Assignment 5

- This assignment can also be done at home.

Assignment 6

- Assignment 6 can be done with reference to Assignment 5's answers, and with the use of an atlas.

Assessment

Learning Outcomes(LOs)
LO 1
THE ECONOMIC CYCLEThe learner is able to demonstrate knowledge and understanding of the economic cycle within the context of the economic problem.
Assessment Standards(ASs)
<i>We know this when the learner :</i>
1.1 describes the roles of households, businesses and government in the economic cycle;
1.2 compares the rights and responsibilities of each of the participants in the production and consumption of resources and services.
LO 2
SUSTAINABLE GROWTH AND DEVELOPMENTThe learner will be able to demonstrate an understanding of sustainable growth, reconstruction and development, and to reflect on related processes.
<i>We know this when the learner :</i>
2.1 researches and analyses standards of living and patterns of consumption in modern societies where people specialise and trade to satisfy needs and wants.

Table 2.2

2.2 The factors of production²

2.2.1 ECONOMIC AND MANAGEMENT SCIENCES

2.2.2 Grade 6

2.2.3 FROM TREE TO TIN CAN

2.2.4 Module 5

2.2.5 The Manufacturer or Producer

Farmers provide the **Raw materials** that originate from a natural resource, namely a tree or other plant, and this is processed to become the eventual product. The air, water, soil and minerals are further examples of **NATURAL RESOURCES**. The raw materials are provided to the **manufacturer** who processes them in **factories** and through **industries**. it is very important that we do not pollute the natural environment.

It is important that the farmer sells his raw materials at a basic price that is sufficient to cover his costs and ensure him of a reasonable profit, but low enough to ensure that he will be able to sell his wares. What may be the right price today may be altogether inappropriate tomorrow because of changing market conditions.

The farmer therefore has to analyse his cost structures very carefully, so that his expenditure, i.e. his production costs (wages for workers, fertiliser, water, transport to the factory, etc.), does not exceed his income.

What is cost structure?

This is the planning that ensures that the selling price of an article includes all costs, and makes provision for profit. This is the only way in which to do business in the long term and avoid bankruptcy.

²This content is available online at <<http://cnx.org/content/m22576/1.1/>>.

Background
There are two main types of farmers, namely commercial farmers and subsistence (self-supporting) farmers. A commercial farmer sells everything that he cultivates and pays his workers for the different tasks that they do for him. He therefore makes money through his business and provides goods and services to other people. Subsistence farmers only produce enough and keep enough animals to meet their and their family's needs. Each person on the farm is responsible for particular jobs and does not necessarily earn any money for what is done.

Table 2.3

2.2.6 Assignment 1

Complete the following table to indicate the difference between commercial and subsistence farmers.

Subsistence farming	Commercial farming
1. Small farm.	
	Supplies food to a large number of people.
	Provides work to many people.
1. Keeps produce for own use.	
	Supply of water.
1. Uses primitive implements.	

Table 2.4

[LO 2.1]

A producer needs **materials**, **labour**, **capital** (money for equipment and buildings), and **entrepreneurship** for manufacturing commodities. These are the four factors of production.

What is materials?

People need materials to be able to produce goods. These materials could be **raw materials** (apples, eggs, minerals), **half-finished materials** (the silk from a silkworm that is wound on a reel, but not woven into a textile yet) or **finished materials** (processed raw materials made into clothing material from which something, e.g. a garment, can be made).

All manufacturers also need energy, which is obtained from raw materials like wood, coal, water, etc.

What is labour?

Human labour is necessary for the production of goods/commodities or for rendering services. People do not necessarily have to do physical work. Highly skilled and trained people also provide intellectual labour. Some products are extremely labour intensive (need many workers), while others need much less labour. The knowledge and skills that make it possible for people to manufacture products or provide services are known as **human resources**. The remuneration that a worker receives in exchange for his / her labour is known as **wages** or a **salary**.

What is capital?

This is the money that is required for buying buildings, equipment, tools and machinery. A producer needs capital to manufacture goods or for rendering services. The remuneration received by the owner of the capital from the people who use it, is called **INTEREST**.

What is entrepreneurship?

Good planning, management, decision-making and the willingness to take risks, are characteristics of an entrepreneur. He brings the materials, capital and labour together and changes it into a business. The remuneration received by the entrepreneur is called **PROFIT**.

Assignment 2

A tomato farmer delivers fresh tomatoes to local supermarkets, shops and cafés. Different people and things are involved with the provision of the tomatoes.

Place each of these under the correct factor of production (**tomatoes, farm workers, farmer, bank loan, packers, store, tractor and trailer, plastic bags, sorting table**).

Materials	Labour	Capital	Entrepreneurship
-----------	--------	---------	------------------

Table 2.5

[LO 2.1]

If the farmer decides to deliver the tomatoes to a factory where it will be processed by canning, we say that the raw material is being changed into a final product. This process is called **PRODUCTION**. Production is therefore the conversion of raw materials into useful goods and/or services.

There are three types of industry, namely primary, secondary and tertiary industries.

2.2.7 Assessment

Learning Outcomes(LOs)
LO 1
THE ECONOMIC CYCLEThe learner is able to demonstrate knowledge and understanding of the economic cycle within the context of the economic problem.
Assessment Standards(ASs)
<i>We know this when the learner :</i>
1.1 describes the roles of households, businesses and government in the economic cycle;
1.2 compares the rights and responsibilities of each of the participants in the production and consumption of resources and services.
LO 2
SUSTAINABLE GROWTH AND DEVELOPMENTThe learner will be able to demonstrate an understanding of sustainable growth, reconstruction and development, and to reflect on related processes.
<i>continued on next page</i>

<i>We know this when the learner :</i>
2.1 researches and analyses standards of living and patterns of consumption in modern societies where people specialise and trade to satisfy needs and wants.

Table 2.6

2.2.8 Memorandum

Assignment 1

- The differences between subsistence farming and commercial farming can be brought to the attention of the learners through a class discussion.

2.3 Primary, secondary and tertiary industries³

2.3.1 ECONOMIC AND MANAGEMENT SCIENCES

2.3.2 Grade 6

2.3.3 FROM TREE TO TIN CAN

2.3.4 Module 6

2.3.5 PRIMARY, SECONDARY AND TERTIARY INDUSTRIES

1. What is primary industry?

These are industries that have to do with the exploitation of raw materials found in nature.

1. What is secondary industry?

This involves factories that manufacture goods, i.e. industries that are involved with the conversion of raw materials into goods.

1. What is tertiary industry?

These are the businesses that render the services to supply the products to the consumer or transport the products to the consumer (marketing and distribution).

2.3.6 Assignment 1

Arrange the following industries under the appropriate headings:

banks, a **canningfactory**, a **wheatfarm**, a **supermarket**, a **hairsalon**, a **sweetfactory**, a **fishery**, an **estateagent**, a **fruitfarm**, a **cattlefarm**, **pineplantations**, a **wholesaler**, the **police**, the **municipality**, **hospitals**, **schools**.

³This content is available online at <<http://cnx.org/content/m22578/1.1/>>.

Primary	Secondary	Tertiary

Table 2.7

[LO 2.1]

Because there are three types of industry, it is possible for us to say that a product goes through three stages of production. All products undergo these three stages of production, which are

This is called the **PRODUCTION CHAIN**. The price increases at each link in the chain. When one of your parents therefore buys a can of preserved peaches, she or he is paying for the work of the farmer, the manufacturer, the transporter, the wholesaler and the shop owner.

2.3.7 Assignment 2

Look at the following flow chart that describes how tart apples are produced. Identify the primary, secondary and tertiary stages of production.

Apples are harvested in an apple orchard on a farm.		
In the canning factory the apples are processed to become tart apples.		
The can of tart apples is transported to the wholesaler.		
The retailer buys it from the wholesaler.		
He transports it to his shop.		
He sells it to his client (the consumer).		

Table 2.8

[LO 2.1]

2.3.8 Assignment 3: Group project

Use pictures from old magazines and newspapers to make a poster showing the differences between the primary, secondary and tertiary stages of production. You must therefore paste pictures of products representing the different stages.

[LO 2.1]

2.3.9 Assignment 4

Ask your educator to arrange a class visit to a local industry. After the visit draw a flow chart with labels indicating the PRODUCTION LINE through which the raw materials pass to eventually become the final product.

[LO 2.1]

The cost of production

To manufacture goods, the producer needs materials, labour and capital. Manufacturing costs money, because each of the inputs must be paid for. Two main costs are involved, namely **direct** and **indirect costs**.

What are **direct costs**? These are the materials and labour needed to manufacture things. These direct costs vary according to the amount of items produced

What are **indirect costs**? These are expenses such as advertising and telephone accounts that cannot be directly linked to the production process. Some of these indirect costs are fixed amounts which are paid monthly, e.g. rent, interest and salaries. Others differ from month to month and depend on the amount of water and electricity that is used, as well as the amount of telephone calls that are made.

When you want to sell a product that you have made, you must sell it for more money than it has cost you to make it. You must therefore work out what it will cost to make before you make a product. These costs are the **PRODUCTION COSTS**. You must also work out the production costs for services which you wish to render.

Hint to the educator: Let learners do the next assignment in groups.

Let each group choose a different item.

1. The problem

You are a keen soccer/rugby/hockey player and you practice with the boys at the school for an hour every Monday and Wednesday. Because of the punishing programme that the coach subjects the players to, everyone is exhausted after the session and everyone stands in a queue to get water from one of the two taps alongside the rugby field. Immediately you recognise the opportunity of selling **iced lollies** to the players at the end of the session - with the coach's approval, of course.

You test their opinions and find out that the majority of the approximately 30 players will support you at least once a week. Now you have got to get to work. Luckily some of your friends have offered their help.

2.3.10 Assignment 5

Visit at least five different wholesalers/retailers/supermarkets/shops that sell lollies and then fill in the following table:

Name of business	Number of units per pack	Price	Price per unit

Table 2.9

(NB Each member of the group has to visit a shop)

2.3.11 Assignment 6

At which shop are you going to buy your goods – and why?

2.3.12 Assignment 7

How much must you charge for each item if you want to make 50% profit on each item that you sell?

How much profit are you making per item?.

2.3.13 Assignment 8

If you decide to buy 40 items each week, how much will you pay?

How many units will you be buying?

2.3.14 Assignment 9

a) What is the total profit if you sell 40 items each week?

a) How are the profits going to be divided between you and your friends?

a) How are you going to store the items if you do not sell everything each week?

a) What money will you use to buy the first week's supply?

a) What money will you use to buy new supplies each week?

1. Challenge

What about your group attempting to make this scheme a reality? Let your dreams take wing and fly!

2.3.15 Assessment

Learning Outcomes(LOs)
LO 1
THE ECONOMIC CYCLEThe learner is able to demonstrate knowledge and understanding of the economic cycle within the context of the economic problem.
Assessment Standards(ASs)
<i>continued on next page</i>

<i>We know this when the learner :</i>
1.1 describes the roles of households, businesses and government in the economic cycle;
1.2 compares the rights and responsibilities of each of the participants in the production and consumption of resources and services.
LO 2
SUSTAINABLE GROWTH AND DEVELOPMENTThe learner will be able to demonstrate an understanding of sustainable growth, reconstruction and development, and to reflect on related processes.
<i>We know this when the learner :</i>
2.1 researches and analyses standards of living and patterns of consumption in modern societies where people specialise and trade to satisfy needs and wants.

Table 2.10

2.3.16 Memorandum

Assignment 1

- Learners can form groups and study pages 9 and 10. Then they can answer Assignment 8 as a group. It is also possible for them to answer it individually if needs be.

Assignment 2

- Learners can discuss and study pages 11 and 12 individually or in groups, and then do the assignment. Thereafter the assignment can be checked by the whole class as a group.

Assignment 3

- Once learners understand the three types of industries this assignment can be done individually, by the whole class as a group or by smaller groups.

Assignment 4

- This assignment is optional.

Assignment 5

- This assignment is optional.

Assignment 6 – 9

- The teacher divides the class into groups hereafter Assignments 13 to 17 are done. The teacher guides the learners and explains concepts as necessary.

Chapter 3

Term 3

3.1 What is a business plan?¹

3.1.1 ECONOMIC AND MANAGEMENT SCIENCES

3.1.2 Grade 6

3.1.3 THE BUSINESS PLAN

3.1.4 Module 7

3.1.5 WHAT IS A BUSINESS PLAN?

"Plan your work and work your plan. If you fail to plan, you plan to fail."

Ancient entrepreneurial truth

It is true that many successful business people managed to develop successful businesses without much planning. If they could do it, we might also manage it.

Let us look at the simple example of having a barbecue. It may be possible to braai without any equipment, but to do so with the help of a grid and a pair of braai tongs is much easier and certainly less painful. Using the appropriate tools simply improves our chances of success.

3.1.6 WHAT IS A BUSINESS PLAN?

It is a document drawn up by an entrepreneur to indicate **the nature of the business** and **the steps to be taken to develop it into a successful business**. It is like a textbook or road map against which an entrepreneur can measure or test himself/herself continually to determine whether he or she is on the right track. There are three particular reasons why it is important for such a businessperson to draw up a sound business plan.

- It gives the prospective businessperson an idea of whether he/she actually wants to become involved with the specific type of business.
- The business plan should indicate danger zones.
- It serves as a continuous measure for the entrepreneur to control whether he/she is on track.
- It is a useful document for external parties, like banks, to determine whether they want to / can become involved with the business.

¹This content is available online at <<http://cnx.org/content/m22586/1.1/>>.

3.1.7 WHAT INFORMATION SHOULD BE SUMMARISED IN A BUSINESS PLAN?

A business plan should provide basic answers to the following questions:

- Who would be interested to pay for the product or service?
- Why should they want to have it?
- How would the product or service be promoted?
- What will the marketing costs be?
- Who will produce/deliver the product/service and what will the costs be?
- How would the business be organised and managed?
- Where would the money be obtained to start the business?
- Will the business be profitable?

3.1.8 Assessment

Learning Outcomes(LOs)
LO 4
ENTREPRENEURIAL KNOWLEDGE AND SKILLSThe learner will be able to demonstrate entrepreneurial knowledge, skills and attitudes.
Assessment Standards(ASs)
<i>We know this when the learner :</i>
4.2 identifies a variety of possible business opportunities in the community (school co-operatives, sports, entertainment, tourism);
4.3 designs an advertising campaign to promote a product that will generate a profit;
4.4 participates in a fair or market day at school or in the community to practice and apply entrepreneurial knowledge and skills;
4.5 describes how the four elements of the marketing mix are combined in a simple business activity.

Table 3.1

3.2 The business concept²

3.2.1 ECONOMIC AND MANAGEMENT SCIENCES

3.2.2 Grade 6

3.2.3 THE BUSINESS PLAN

3.2.4 Module 8

3.2.5 THE BUSINESS CONCEPT

Even the best entrepreneur in the world will have a hard time to successfully manage certain businesses in particular environments.

- A needlework shop in an industrial area could hardly hope to be successful.
- Would it be advisable to open a very smart restaurant next to the sewerage works?

²This content is available online at <<http://cnx.org/content/m22589/1.1/>>.

It therefore is very important that the entrepreneur should do his/her homework very thoroughly before beginning with a business venture. A sound and thorough business plan will ensure that he or she will do so. In this manner all possible aspects of the business are examined before any money is invested in the venture.

The main reason why anyone becomes involved in a business is **to make money**. But to make money, the customers' satisfaction must be ensured. A sound business plan will help to determine whether the business would be successful. A business plan should indicate why the business would be successful in the area for which it is planned and why the product or service that is envisaged for the potential customers, will be satisfactory. Answers to the following questions should be possible:

- What will be done?
 - How will it be done?
 - Where will it be done?
 - How will the product be stored?
 - How will the product/service be distributed to customers?
 - How will after-sales service be provided?
 - Does the product have a unique and striking name and appearance?
 - Who will be the consumers or target market?
-
- What will be done?

There are five main types (**categories**) of business with which a person could become involved:

- A. raw materials
- B. production
- C. distribution
- D. sales
- E. service

Let us look at some examples:

- delivering balloons
- providing beauty products
- delivering beauty products
- bottling of mineral or pure water
- breeding of unusual pets
- making business cards bearing photographs
- calligraphy
- car-washing/polishing
- carpet cleaning service
- temporary child minding service
- handwork industry
- disc jockey
- making dolls and toys
- exclusive diaries and greeting cards
- delivering food
- gardening services
- purchasing, wrapping, decorating and delivery of gifts
- herb growing
- lawn care
- pool care
- baby's nappy delivery service
- pet care

- pet sitting
- making garden compost
- reading service for the aged and the blind
- second hand clothing shop
- shopping service
- decorating/finishing of stones for gardens
- telephone answering service
- window cleaning service
- candle making
- providing ice
- making jam
- growing plants

Select at least two examples from this list to enter under each business category:

Category	Example
A. Raw material	
A. Production	

Table 3.2

A. Distribution	
A. Sales	
A. Service	

Table 3.3

[LO 4.2]

Entrepreneurs also listen to what happens around them and are continuously on the lookout for business ideas from magazines, newspapers, discussions with friends, other businesses and existing services and products. A true entrepreneur searches for ideas to change and improve existing services and products to keep consumers happy. The product/service that an entrepreneur involves him/herself with initially is frequently substituted with another or better idea according to the way in which the entrepreneur gets to know the needs of his/her customers.

Remember that an entrepreneur may believe that he/she has a profitable idea, but he/she has to consider whether it would provide enough money to make a living? The entrepreneur first has to find suitable customers and afterwards has to see to it that their needs are met through providing a suitable service/product.

How will it be done?

Example:

Marius wants to start a car wash business. He lives in an area where many people possess new cars and travel great distances daily. The cars naturally become soiled very quickly and owners seldom have time to wash their own cars, although they like to have their cars clean. A new petrol station with an automatic car wash facility, however, has just opened nearby. If a driver puts more than R100 worth of petrol into his tank at this specific petrol station, he may have his car washed by the automatic machine for only R8. This takes place in direct competition with Marius, because the service is also rendered very quickly.

Marius has calculated that, if he takes car shampoo, water and time into consideration, he cannot offer his service for less than R10. This means that the customers will rather have their cars washed at the filling station when they are filling up their tanks.

Perhaps Marius simply has to market himself correctly. Perhaps he should concentrate on aspects that are ignored by the filling station. If he is unable to beat the price charged at the filling station, he should think about emphasizing the **quality** of his service and the **convenience** to the customer.

He might have to plan his marketing around the following aspects:

- washing the client's car at his own house;
- including proper cleaning of alloy wheels;
- giving the assurance that aerials will not be damaged;
- including the cleaning and vacuuming of the inside of the car;
- using quality products only.
- personal and dependable service;
- cleaning windows with a special cleaning agent;
- not having to wait in queues, etc.

Marius will have to advertise his service seriously and concentrate on the advantages, but he should also be willing to offer a basic car wash without any extras at R5 only, so that the client will feel that he/she still has the option of choice. He would also have to be willing to listen to his clients and to ensure that he keeps a step ahead of his competitors in his efforts to satisfy his clients.

3.2.6 Assessment

Learning Outcomes(LOs)
LO 4
ENTREPRENEURIAL KNOWLEDGE AND SKILLThe learner will be able to demonstrate entrepreneurial knowledge, skills and attitudes.
Assessment Standards(ASs)
<i>We know this when the learner :</i>
4.2 identifies a variety of possible business opportunities in the community (school co-operatives, sports, entertainment, tourism);
<i>continued on next page</i>

4.3 designs an advertising campaign to promote a product that will generate a profit;
4.4 participates in a fair or market day at school or in the community to practice and apply entrepreneurial knowledge and skills;
4.5 describes how the four elements of the marketing mix are combined in a simple business activity.

Table 3.4

3.3 How will the business be run?³

3.3.1 ECONOMIC AND MANAGEMENT SCIENCES

3.3.2 Grade 6

3.3.3 THE BUSINESS PLAN

3.3.4 Module 9

3.3.5 HOW WILL THE BUSINESS BE RUN?

- How will the business be run?

Thousands of people buy and sell products and services, but all businesses are not run in the same manner. Some sell from a mobile unit (ice-cream seller), others do their business from a stall along the street, or on the pavement, while other entrepreneurs run their businesses from their homes.

- Where will the business be located?

It is very important to find the right location for the business. Many entrepreneurs find that their concepts seem to fail right from the start, simply because they are badly situated. An enterprise should be situated as closely as possible to the clients, but the rent of the premises should not be too high.

Answer the following questions after you have decided where to locate your business:

- What will the address of the business be?
- Are you sure that the local authority or inhabitants of the area will allow the business in the area?
- Why have you decided on the particular location?
- How will the product be stored?

This will depend on the nature of the **product**. Is it perishable or not? Is it large/small? A store might be required. It is also worth looking at the idea of delivering the product directly to the customer, rather than storing it.

Service, however, cannot be stored. When service is rendered to a client, time is also delivered and should be presented as attractively as possible. Once the time has passed, it cannot be bought back. To generate income from time, you have to strive to be busy doing so every moment of the day. This means that you have to concentrate on special offers during the quiet season of the year.

In the rain season the price of washing cars could, for instance, be lower because cars tend to become dirty sooner and owners might consider washing them more frequently.

Try to determine the time of year of the quiet season by experience and then make adjustments to the price of the product to compensate for this.

- How will the product/service be distributed to customers?

³This content is available online at <<http://cnx.org/content/m22600/1.1/>>.

What will it cost to transport the product from the production point or purchase point to the client? Will vehicles or extra staff members be required? Remember that the product has to reach the client in good condition. Speedy delivery is therefore important. You have to be able to do it better and faster than your competitors.

If the idea is to sell "vetkoek" (dampers) with minced meat fillings to scholars, it will not be prepared at the school. Break times will have to be determined and the production schedule will have to be planned in such a way that the "vetkoek" arrives at the different schools while it is fresh and warm.

In South Africa, where service is often poor, the speed and reliability of the service is an important factor and could ensure the success of your business.

- How will after-sales service be provided?

Will any service be offered to the client after the sale of the service or product and where would this service be available? Would there be visits to the client's home or would the service be provided from the business premises? If any promises are made or guarantees are offered to the client, they should be honoured.

Remember that the client does not buy a product/service only. The relationship with the client is part of the service/product. Many entrepreneurs fail when it comes to this aspect of the business.

Clients want to feel that they are important. A reliable client can become the greatest asset of a business. For this reason the entrepreneur has to be focused on what keeps clients happy continually.

- Will the product have a unique and striking name and appearance?

The best way to ensure the success of a business is to make it prominent. It must not merely offer another product. It has to stand out among the rest with a unique name and logo. Try to reach the target group and try to offer something that is not available from your competitors.

Example:

Peter earns a good income from taking care of lawns for homeowners in his immediate vicinity. He distinguishes himself from persons offering the same kind of service, by allowing his clients to determine for themselves when their lawns need more or less attention. He then takes it further by not only cutting the grass and the edges, but also fertilizing lawns according to what is required, adjusting the irrigation and mowing schedule to the growth rate of the grass. Peter also uses a roller type lawn mower because this provides the best results. He refers to himself as **"the lawn expert who makes grass his business"** and makes a point of knowing everything that is to be known about all different types of grass. He will also provide clients with advice on lawns or sections of lawns that do not do well because of the microclimate of a particular garden or area in a garden. He can also justifiably advertise the fact that "his" gardens/lawns are the best in the neighbourhood.

- Who will be the consumers or target market?

Clients form the most important part of the business. Without them there would not be a business. It therefore is important to know who your clients would be, long before you start your business.

Try to think of people who might become clients and answer the following questions:

- Are the prospective clients able to afford the product or service?
- Name three other entrepreneurs/businesses that provide a similar service or product in the vicinity.
- Why would clients decide not to buy from them?
- How will possible clients become aware of your business?

[LO 4.2]

-
- What is the existing competition?

Every business has to deal with many different competitors. The situation of one business being in constant competition with another creates opportunities for a creative entrepreneur. He/she has to find the weaknesses of the competitors and utilize these to his/her own advantage.

Businesses that offer the same product/service are not the only ones that compete with you. Those that offer a different kind of product/service also compete against you. One window washing enterprise must not regard only a similar enterprise as competition, but must also be aware of the competition offered by something like a brand of window cleaner that does not require rubbing dry, but merely has to be applied and then rinsed off.

Remember that the consumer is not only on the lookout for lower prices, but factors like neatness, accessibility, good marketing and personal service also attract consumers.

3.3.6 Assignment

- Will there be buyers for the product/service?

Study the following questionnaire and use it as a guideline to help you decide on whether an enterprise is viable.

- (i) What is the name of the enterprise?
 - (ii) What is the product/service?
 - (iii) Why do you want to market it / sell it?
 - (iv) Who are the clients?
 - (v) How does the product/service address the needs of the clients?
 - (vi) Which areas will be served?
 - (vii) Who are the competitors?
 - (viii) Why would clients prefer this enterprise above another?
 - (ix) Where are the premises?
 - (x) What are the positive aspects of the premises?
 - (xi) What are the weaknesses of the location?
 - (xii) Why were the particular premises selected?
 - (xiii) What is the proposed price of the product/service?
-
- (i) How will the product/service be introduced to the community?
 - (ii) How do the prices differ from those of the competitors?
 - (iii) Why is there a price difference?
 - (iv) Which media will be used to introduce the product initially?
 - (v) What message do you want to convey to the clients?
 - (vi) Is the product restricted to a particular season?
 - (vii) If YES, what will you do off-season?
 - (viii) Are there specific regulations that have to be adhered to concerning the product?
 - (ix) What do the members of your family have to say about your plans?

[LO 4.2, 4.5]

Design an advertisement that will promote your product/service.

[LO 4.3]

3.3.7 Assessment

Learning Outcomes (LOs)

LO 4

ENTREPRENEURIAL KNOWLEDGE AND SKILLS

The learner will be able to demonstrate entrepreneurial knowledge, skills and attitudes.

Assessment Standards(ASs)

We know this when the learner:

- 4.2 identifies a variety of possible business opportunities in the community (school co-operatives, sports, entertainment, tourism);
- 4.3 designs an advertising campaign to promote a product that will generate a profit;
- 4.4 participates in a fair or market day at school or in the community to practice and apply entrepreneurial knowledge and skills;
- 4.5 describes how the four elements of the marketing mix are combined in a simple business activity.

3.4 Financial aspects of the business⁴

3.4.1 ECONOMIC AND MANAGEMENT SCIENCES

3.4.2 Grade 6

3.4.3 THE BUSINESS PLAN

3.4.4 Module 10

3.4.5 THE FINANCIAL ASPECTS OF THE BUSINESS

This is the most important component of any business. You do want to start a business to make money, don't you? Financial planning, if done properly, should provide a very good indication of whether you will make money. Three important things have to be kept in mind concerning finances:

- You need to know how much money will be required **to start the business**. How much of it are you able to provide yourself and how much will have to be borrowed? Will you have to pay interest on what you borrow, and how much?
- You need to know whether the business will show a **profit** or not. This means, will the total income be bigger than total expenditure? Try to make a twelve-month projection (estimation) on a monthly basis.
- You need to know whether you will have money coming in fast enough to be able to pay for your expenses. This is referred to as the **cash flow** of a business. Cash flow is not the same as profit. If you do not have enough cash, you will have a backlog that will have to be covered.
- Start-up money (commencement capital)

Any new business needs money for starting up. It does not have to be much. Peter should have enough money for a good lawn mower and an edge trimmer only when he starts up his business.

Another business, like a car repair service, though, will need very specialised tools to be able to provide a good service.

- Will the business be profitable?

A business plan should provide a very good indication of whether the existing or proposed business would be profitable. There is no sense in starting a business that will not be profitable!

The business plan should contain a profit estimate calculated for at least twelve months ahead.

- Will the business generate enough money?

Do you remember that we pointed out earlier in the module that there is a difference between cash flow and profit?

The business plan should not indicate whether the business will be profitable only, but should also indicate the expected situation with regard to cash. Cash flow in a business has to do with how money comes into the business and goes out of the business.

⁴This content is available online at <<http://cnx.org/content/m22601/1.1/>>.

3.4.6 Assignment

Let us study the following example, which illustrates these concepts very well:

Peter employs one additional worker in his lawn care business that earns R500 per month. Peter's lawn mower broke down and repairs and parts cost him R800, which had to be paid within 60 days. During the specific month, Peter expects to receive R2 500 in payment for all the lawns under his care, but he receives the money on the third day of the following month. He also had to pay R300 for fuel.

This is what the profit and cash flow situation is like at the end of the month:

PROFIT			CASH FLOW		
Service sales	R	2 500,00	Cash in:	R	0,00
Machine repairs	R	800,00			
Gross profit	R	1 700,00	Cash out:		
			Salary	R	500,00
Expenditure:			Fuel	R	300,00
Salary	R	500,00			
Fuel	R	300,00			
Total expenditure	R	800,00			
Nett profit: R 1 700,00 - R 800,00 = R 900,00			Cash flow: Cash in - cash out = R800,00		

Table 3.5

Therefore, although the business shows a profit of R900,00 for the month, there is a shortfall of R800,00 at the end of the particular month. The business shows a good profit, but Peter needed financing to help him with his cash flow problems.

Use the following example to draw up a profit/cash flow table:

Mr Alfa owns his own car repair business. He has two mechanics working for him. Their respective salaries are R1 800,00 and R2 600,00 per month. He buys car parts at R2 100,00, for which he has to pay within 90 days. He repairs nine cars during the month and receives R10 400,00 for his work. He receives R3 200,00 of this amount on the 10th day of the following month only.

He rents a workshop at R900,00 per month and pays an amount of R450,00 per month for his telephone and electricity bills.

PROFIT			CASH FLOW		
Nett profit:			Cash flow:		

Table 3.6

Many profitable businesses close down simply because they cannot control their cash flow problems. A good business plan can show up these problems so that one might try to avoid them.

[LO 4.4]

SUMMARY

A GOOD BUSINESS PLAN COVERS THREE MAIN AREAS.

(a) The entrepreneur:

The business plan must indicate who the entrepreneur is and what experience he or she has. It will also indicate the entrepreneur's involvement with the business clearly, e.g. whether he/she is a sole owner, partner or shareholder.

(a) The business

The business plan must provide the name of the business, explain the nature of the business (the product or service provided to the client and how it is provided), where it is situated and why the consumer will benefit by the product or service.

It must indicate very clearly why clients would be interested in the product and why they would buy it from you rather than from your competitors. It should also provide adequate information about the potential market.

(a) Finances

This is a very important section of the business plan. The various financial statements will indicate whether there is enough money to start the business, whether it will be profitable and whether it will generate enough cash to carry it from month to month.

Now we are ready to draw up our own business plan. Decide on the nature of the business, because the next module will provide enough guidance to draw up a very thorough business plan.

3.4.7 Assessment

Learning Outcomes(LOs)
LO 4
ENTREPRENEURIAL KNOWLEDGE AND SKILLSThe learner will be able to demonstrate entrepreneurial knowledge, skills and attitudes.
Assessment Standards(ASs)
<i>We know this when the learner :</i>
4.2 identifies a variety of possible business opportunities in the community (school co-operatives, sports, entertainment, tourism);
4.3 designs an advertising campaign to promote a product that will generate a profit;
4.4 participates in a fair or market day at school or in the community to practice and apply entrepreneurial knowledge and skills;
4.5 describes how the four elements of the marketing mix are combined in a simple business activity.

Table 3.7

Chapter 4

Term 4

4.1 Start your own business¹

4.1.1 ECONOMIC AND MANAGEMENT SCIENCES

4.1.2 Grade 6

4.1.3 YOUR OWN BUSINESS VENTURE

4.1.4 Module 11

4.1.5 Your own business venture

1. Start your own business

Would you like to be the boss of your own business one day?

What do we call a person who recognises a particular need or desire, gets a bright idea for providing a service or a product and then starts a business to meet that need or desire?

An Entrepreneur.

An entrepreneur therefore converts a need that he or she has identified into a business.

This business can involve **goods** or **services**.

A definition of “goods”

Goods are products that are manufactured and that are for sale.

What is meant by services?

These are particular tasks that are carried out to benefit you and for which you pay.

4.1.6 Activity 1:

4.1.7 To identify typical businesses in my town/city

4.1.8 [LO 4.2]

4.1.9

a) Complete the table by writing down the names of five businesses that provide services and five businesses that provide goods in your town / city.

¹This content is available online at <<http://cnx.org/content/m22605/1.1/>>.

	Goods			Services
1				
2				
3				
4				
5				

Table 4.1

There may also be businesses that **trade** by selling products manufactured in factories.

b) Complete the table by providing names of three businesses that trade in clothing and three that sell foodstuffs.

	Clothing			Foodstuffs
1				
2				
3				

Table 4.2

Shops that sell goods are engaged in **FORMAL** trading, while street vendors, flea markets and car boot sales are examples of **INFORMAL** trading.

4.1.10

4.1.11 Activity 2 :

4.1.12 To analyse my potential as entrepreneur

4.1.13 [LO 4.1]

- To be able to start your own business requires particular personality traits. Let's try to find out whether you may be an entrepreneur. Answer each of the following questions by indicating **Yes**, **No** or **Maybe** by means of crosses in the appropriate blocks of the questionnaire:

No.	Personality Traits	Yes	Maybe	No
A	I like doing things by myself.			
<i>continued on next page</i>				

B	My parents never need to remind me to do my homework.			
C	I like people in general and want to remain on friendly terms with everyone.			
D	I like telling other people what to do.			
E	I am able to persuade other people to do things with me.			
F	I readily accept the blame for things that go wrong when I am responsible for it.			

Table 4.3

No.	Personality Traits	Yes	Maybe	No
G	I plan my homework before starting it to ensure that I have enough time to complete it.			
H	I frequently make suggestions to my friends about doing different things.			
I	If I struggle with problems when doing homework, I keep at it until I manage to get it right; I do not give up easily.			
<i>continued on next page</i>				

J	I am able to make sound decisions quickly.			
K	My friends can depend on me because I always try to be honest.			
L	I joke about things and try to remain positive when plans seem to go wrong.			
M	I like challenges and easily take chances.			

Table 4.4

Add up your *Yes*, *Maybe* and *No* answers and enter it below.

Interpretation of answers:

Yes : 9 – 13! You have a head for business. Realise your dreams!

Yes : 5 – 8 You have potential, but will have to work hard to develop it.

Yes : 1 – 4 You should work on problem areas revealed by the questionnaire. Miracles still happen - or you may find someone who can complement you to work with you if you want to start a business.

You do need a particular kind of personality to become a successful entrepreneur and you also have to know what your strong points and weak points are.

The first step after deciding to start a business is to do proper planning. You have to plan the **kind of product** you want to provide, **where** you want to sell it, how much it will **cost** you, **to whom** you want to sell it and how you **get the money that you need** for starting your business.

Before you can begin to make plans for your business, you should identify an opportunity in your immediate environment to ensure your business of some success.

2. When will a business be successful?

- This happens when a business actually brings in more money (income) than it spends (expenditure). This means that the business is showing a profit.
- A business usually shows greater variety in expenditure than in income, because the service or goods will provide the only income.
- Expenditure that you have to bear in mind when you provide goods have to do with hiring premises, telephone hire, electricity, property tax, salaries and equipment (machinery), and the cost of materials from which your product is made. These are the running costs.
- Materials, labour and capital are required for any business to be productive. These are the inputs that are provided to the business. The **inputs** have to be converted to **output**, namely the products that are sold.
- The standard of living of the inhabitants of a country is largely determined by the productivity of those inhabitants. People need to be able to produce things that can be consumed to improve living standards. This again creates a demand for products and ensures work opportunities for people. If all the inhabitants of the country can find work or can create their own work, the standard of living will improve.

4.1.14 Assessment

Learning Outcomes(LOs)
LO 3
SUSTAINABLE GROWTH AND DEVELOPMENT The learner will be able to demonstrate knowledge and the ability to apply responsibly a range of managerial, consumer and financial skills.
Assessment Standards(ASs)
We know this when the learner:
3.1 understands and participates in the production process, from raw materials to final products, including waste products.
LO 4
ENTREPRENEURIAL KNOWLEDGE AND SKILLS The learner will be able to demonstrate entrepreneurial knowledge, skills and attitudes.
We know this when the learner:
4.1 analyses personal strengths and weaknesses in becoming an entrepreneur;
4.2 identifies a variety of possible business opportunities in the community (school co-operatives, sports, entertainment, tourism);
4.3 designs an advertising campaign to promote a product that will generate a profit.

Table 4.5

4.2 Market research, production and profitability²

4.2.1 ECONOMIC AND MANAGEMENT SCIENCES

4.2.2 Grade 6

4.2.3 YOUR OWN BUSINESS VENTURE

4.2.4 Module 12

4.2.5 MARKET RESEARCH, PRODUCTION AND PROFITABILITY

1. Market research

- Before you can become an entrepreneur, you need to identify the needs that exist in your environment. You could focus on the expectations that Grade 4 to 7 learners have as far as birthday parties are concerned. You should choose a particular grade of learner; distribute a questionnaire among those learners and use the information gathered through the questionnaire to identify the existing needs.

4.2.6 Activity 1:

4.2.7 To do market research

4.2.8 [LO 4.2

Case study

²This content is available online at <<http://cnx.org/content/m22609/1.1/>>.

John (12) and Annette (10) Collins are invited to parties regularly. Although being fun, parties usually cause Mrs Collins a few headaches. She has to buy a gift, make it up appropriately and decorate it, and then she still has to find an interesting card to add to the parcel. The latter usually is more expensive than the gift.

John and Annette have now thought up a brilliant idea to solve Mrs Collins' problem: to start their own business, making decorations in general and making and selling cards.

- To start with, you have to do some **market research**. This means that you have to collect information to enable you to decide whether your idea is viable. Your market is the group of people who would probably buy what you wish to sell.
- John and Annette want to find out from the average 10 – 12 year old whether their plan is a good one – and you are going to help them.

Step 1: Use the questionnaire (Annexure).

Provide questionnaires to the group of learners that your class identified as a potential market.

Step 2: Process the information

Draw up a table with a subsection for each of the categories listed below. This will help you to identify the most popular themes.

Categories:

- Popular decorations.
- Popular amusement.
- Preferred invitation.
- Parent support (Yes/No).

Note down any other important information that you find in the completed questionnaires.

4.2.9 Activity 2:

4.2.10 To identify the most popular themes

4.2.11 [LO 4.2]

- List the 10 most popular themes for birthday parties according to the information gleaned from the questionnaires.

4.2.12 Activity 3:

4.2.13 To design an invitation card

4.2.14 [LO 3.1]

- Choose any one of the above themes and design a pop-up invitation card based on this theme. Consult books from the library to collect as many ideas as possible. Also bring invitation cards to school to determine the requirements for invitation cards.
- Sketch the design for the card. Use colour and add adequate labels, together with the required size.

Sources consulted:

Which information should be included on an invitation card? Write this down in brief.

4.2.15 Activity 4:

4.2.16 To do research on the average price of invitation cards

4.2.17 [LO 3.1]

- Do market research in at least three different shops to determine the cost of available invitation cards and types of cards. Your product will have to be better if it is going to cost more, or cheaper, if it is similar. The cards that are available on the market are referred to as the **supply**.

2. Making

4.2.18 Activity 5:

4.2.19 To make an invitation card

4.2.20 [LO 3.1]

-
- Now make the card (which you designed in Activity 1.5) as well as you can. Bring it to school, exhibit it and ask your classmates to write their honest comments on a sheet of paper provided for that purpose. Incorporate the necessary changes when you make your final product.

4.2.21 Activity 6:

4.2.22 To calculate cost

4.2.23 [LO 3.1]

a) Write out a complete list of all the materials that you needed to make your card. Also determine the cost of each type of material.

Cost price is what it costs you to make the card.

b) What were the different tools that you used to make the card?

c) How much time did you need for making the final card?

d) Let's decide that you would like to make 20% profits on each card that you sell. Calculate the cost price for the card. (as in a) (as in a)

(NB. Selling price = Cost price + (20% of Cost price)

3. Profitability

- You have **bought** certain materials to make invitation cards to meet a particular need and have **produced** the cards. Now you have to try to **sell** them.
- The money that it costs you to start a business is the **start-up costs**. What you spend afterwards is known as the **running costs**. You have to add starting costs and running costs together to know what your enterprise will cost you.
- To make a profit, you therefore have to make more than this amount. From this you can determine the price of your product.
- Your educator can help you to test the market for your cards and to market and advertise your product. (See Addendum 2)

4.2.24 Activity 7:**4.2.25 To plan party decorations****4.2.26 [LO 3.1]**

Provide examples of decorations and discuss the types of entertainment that would be popular at a party. Arrange an exhibition of different types of decoration. List ideas of what is possible.

Which theme have you chosen?

4.2.27 Activity 8:**4.2.28 To make decorations for a party****4.2.29 [LO 3.1]**

- You, as a group, now have to plan and make decorations and plan entertainment to match the theme. The decorations may not cost more than R5 per person and you may therefore only spend R5 on the buying and making of it. Be creative and original.

Try to make use of recyclable materials. You have one week to do this. Your ideas

must be exhibited for evaluation on a table in room

on (date). The entertainment should be explained by

means of a poster that is exhibited together with the decorations.

Now is the time to ascertain whether your business idea is viable. Will it work? Is there a market for party accessories? To establish all of these, we are going to do a SWOT analysis.

WHAT IS A SWOT ANALYSIS? Answer the following questions:

Strong points: Where does your business venture address a gap in the existing market?

Weaknesses: Which part(s) of your business idea could possibly cause problems?

Opportunity: What do you see as the opportunity for selling your product? Will you find enough clients?

Threats: What threatens the success of the business? What suggestions are you able to make?

Begin work without delay!

4.2.30 Assessment

Learning Outcomes(LOs)
LO 3
SUSTAINABLE GROWTH AND DEVELOPMENTThe learner will be able to demonstrate knowledge and the ability to apply responsibly a range of managerial, consumer and financial skills.
Assessment Standards(ASs)
<i>We know this when the learner:</i>
<i>continued on next page</i>

3.1 understands and participates in the production process, from raw materials to final products, including waste products.
LO 4
ENTREPRENEURIAL KNOWLEDGE AND SKILLSThe learner will be able to demonstrate entrepreneurial knowledge, skills and attitudes.
<i>We know this when the learner:</i>
4.1 analyses personal strengths and weaknesses in becoming an entrepreneur;
4.2 identifies a variety of possible business opportunities in the community (school co-operatives, sports, entertainment, tourism);
4.3 designs an advertising campaign to promote a product that will generate a profit.

Table 4.6

4.2.31

4.2.32 6.To display our product

4.3 Marketing your product³

4.3.1 ECONOMIC AND MANAGEMENT SCIENCES

4.3.2 Grade 6

4.3.3 YOUR OWN BUSINESS VENTURE

4.3.4 Module 13

4.3.5 MARKETING YOUR PRODUCT

1. To display our product

- Make a poster displaying a sample of your card, some decorations and the prices.

4.3.6 Activity 1:

4.3.7 To evaluate and recommend our own product

4.3.8 [LO 3.1]

- What hints and recommendations do you have with regard to your own decorations and cards, should you have to start again? Discuss this in class and write down any positive as well as negative remarks in the space below.

2. Creation of prosperity/jobs

- The results of productivity are the **creation of wealth** and **creation of employment**. When the business **grows** and **expands**, **employment is provided** and the products / services are **distributed**.

What are the requirements for a successful product?

³This content is available online at <<http://cnx.org/content/m22612/1.1/>>.

- There is a demand for the product or service.
-
- The business makes a profit from selling the product.
- The business earns respect and admiration.
- The owner creates job opportunities and employs more people.
- The product or service is offered in more than one place.
- Making the product requires skill and knowledge that other people may want to acquire.

3. Advertising and marketing

- The learners in the other grades have noted what you are selling when they attended your exhibition. In what other ways can you advertise your product, e.g. at a neighbouring school? Discuss in groups.

4.3.9 Activity 2:

4.3.10 To do market research on the requirements for a successful advertisement

4.3.11 [LO 4.3]

- Bring examples of local advertisements to the school for discussion. What are the requirements for successful advertisements? Discuss and list.

4.3.12 Activity 3:

4.3.13 To design an advertisement for a magazine

4.3.14 [LO 4.3]

- Design a pamphlet that advertises your business.

4.3.15 Activity 4:

4.3.16 To design an advertisement to be broadcast on radio

4.3.17 [LO 4.3]

- Work in a group and design an advertisement for your business that can be broadcast on radio.

4.3.18 Activity 5:

4.3.19 To compare the advantages and disadvantages of entrepreneurship

4.3.20 [LO 4.1]

- **Subject:** Being an entrepreneur has more advantages than disadvantages.
- Write down what you think of this statement and have a class discussion on the advantages and disadvantages linked to being an entrepreneur:

4.3.21 Assessment

Learning Outcomes(LOs)
LO 3
SUSTAINABLE GROWTH AND DEVELOPMENTThe learner will be able to demonstrate knowledge and the ability to apply responsibly a range of managerial, consumer and financial skills.
Assessment Standards(ASs)
<i>We know this when the learner:</i>
3.1 understands and participates in the production process, from raw materials to final products, including waste products.
LO 4
ENTREPRENEURIAL KNOWLEDGE AND SKILLSThe learner will be able to demonstrate entrepreneurial knowledge, skills and attitudes.
<i>We know this when the learner:</i>
4.1 analyses personal strengths and weaknesses in becoming an entrepreneur;
4.2 identifies a variety of possible business opportunities in the community (school co-operatives, sports, entertainment, tourism);
4.3 designs an advertising campaign to promote a product that will generate a profit.

Table 4.7

Attributions

Collection: *Economic and Management Sciences Grade 6*

Edited by: Siyavula Uploaders

URL: <http://cnx.org/content/col11013/1.1/>

License: <http://creativecommons.org/licenses/by/3.0/>

Module: "Links in the economic chain"

By: Siyavula Uploaders

URL: <http://cnx.org/content/m22579/1.1/>

Pages: 1-3

Copyright: Siyavula Uploaders

License: <http://creativecommons.org/licenses/by/3.0/>

Module: "Work/Income"

By: Siyavula Uploaders

URL: <http://cnx.org/content/m22557/1.1/>

Pages: 4-6

Copyright: Siyavula Uploaders

License: <http://creativecommons.org/licenses/by/3.0/>

Module: "The law of the country and the economy"

By: Siyavula Uploaders

URL: <http://cnx.org/content/m22563/1.1/>

Pages: 7-9

Copyright: Siyavula Uploaders

License: <http://creativecommons.org/licenses/by/3.0/>

Module: "The production line"

By: Siyavula Uploaders

URL: <http://cnx.org/content/m22574/1.1/>

Pages: 11-14

Copyright: Siyavula Uploaders

License: <http://creativecommons.org/licenses/by/3.0/>

Module: "The factors of production"

By: Siyavula Uploaders

URL: <http://cnx.org/content/m22576/1.1/>

Pages: 14-18

Copyright: Siyavula Uploaders

License: <http://creativecommons.org/licenses/by/3.0/>

Module: "Primary, secondary and tertiary industries"

By: Siyavula Uploaders

URL: <http://cnx.org/content/m22578/1.1/>

Pages: 18-22

Copyright: Siyavula Uploaders

License: <http://creativecommons.org/licenses/by/3.0/>

Module: "What is a business plan?"

By: Siyavula Uploaders

URL: <http://cnx.org/content/m22586/1.1/>

Pages: 23-24

Copyright: Siyavula Uploaders

License: <http://creativecommons.org/licenses/by/3.0/>

Module: "The business concept"

By: Siyavula Uploaders

URL: <http://cnx.org/content/m22589/1.1/>

Pages: 24-28

Copyright: Siyavula Uploaders

License: <http://creativecommons.org/licenses/by/3.0/>

Module: "How will the business be run?"

By: Siyavula Uploaders

URL: <http://cnx.org/content/m22600/1.1/>

Pages: 28-31

Copyright: Siyavula Uploaders

License: <http://creativecommons.org/licenses/by/3.0/>

Module: "Financial aspects of the business"

By: Siyavula Uploaders

URL: <http://cnx.org/content/m22601/1.1/>

Pages: 31-34

Copyright: Siyavula Uploaders

License: <http://creativecommons.org/licenses/by/3.0/>

Module: "Start your own business"

By: Siyavula Uploaders

URL: <http://cnx.org/content/m22605/1.1/>

Pages: 35-39

Copyright: Siyavula Uploaders

License: <http://creativecommons.org/licenses/by/3.0/>

Module: "Market research, production and profitability"

By: Siyavula Uploaders

URL: <http://cnx.org/content/m22609/1.1/>

Pages: 39-43

Copyright: Siyavula Uploaders

License: <http://creativecommons.org/licenses/by/3.0/>

Module: "Marketing your product"

By: Siyavula Uploaders

URL: <http://cnx.org/content/m22612/1.1/>

Pages: 43-45

Copyright: Siyavula Uploaders

License: <http://creativecommons.org/licenses/by/3.0/>

About Connexions

Since 1999, Connexions has been pioneering a global system where anyone can create course materials and make them fully accessible and easily reusable free of charge. We are a Web-based authoring, teaching and learning environment open to anyone interested in education, including students, teachers, professors and lifelong learners. We connect ideas and facilitate educational communities.

Connexions's modular, interactive courses are in use worldwide by universities, community colleges, K-12 schools, distance learners, and lifelong learners. Connexions materials are in many languages, including English, Spanish, Chinese, Japanese, Italian, Vietnamese, French, Portuguese, and Thai. Connexions is part of an exciting new information distribution system that allows for **Print on Demand Books**. Connexions has partnered with innovative on-demand publisher QOOP to accelerate the delivery of printed course materials and textbooks into classrooms worldwide at lower prices than traditional academic publishers.